

Message Text

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44

ACTION STR-04

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10 AGR-05

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INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

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E.O. 11652: N/A

TAGS: ETRD GATT

SUBJECT: QR CONSULTATIONS WITH SOUTH AFRICA

1. QR CONSULTATIONS WERE HELD WITH SOUTH AFRICA ON OCTOBER 3, 1975. SOUTH AFRICA (THEREON AND PIENR) OPENED MEETING BY STATING THE INITIAL SESSION ONLY TO BE EXPLORATORY WITH SOUTH AFRICA EXPLAINING HOW ITS IMPORT SYSTEM OPERATES, ANSWERING QUESTIONS AND ASCERTAINING US INTERESTS. US (NEWKIRK) AGREED WITH THIS PROCEDURE.

2. DISCUSSION OF US NOTIFICATION ON SOUTH AFRICAN QR'S WAS AS FOLLOWS: A) RESTRICTIVE LICENSING AND QUOTAS (GENERAL): SOUTH AFRICA PROVIDED BRIEF OUTLINE OF FOUR CATEGORY IMPORT SYSTEM (FREE, LICENSED, QUOTA AND RESTRICTIVE LISTS). US NOTED RECENT (SEPTEMBER 5, 1975) IMPROVMENTS TO SOUTH AFRICAN
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IMPORT SYSTEM WITH MERCHANDISE BEING SHIFTED TO FREE LIST. US

ASKED FOR EXPLANATION OF CRITERIA FOR PROVIDING LICENSES TO MEET THE "FULL REASONABLE REQUIREMENTS" OF MANUFACTURERS AND MERCHANTS. SOUTH AFRICA EXPLAINED THAT ALTHOUGH SAG REVIEWS REQUESTS OF LICENSE APPLICANT BASED UPON PREVIOUS YEAR'S IMPORT REQUIREMENTS, INDUSTRY GROWTH AND OTHER FACTORS, THE LICENSING PROCEDURE IS MAINLY AUTOMATIC AND USED FOR STATISTICAL PURPOSES. SOUTH AFRICA DID CONCEDE THAT IN PARTICULAR SITUATIONS APPLICATION MAY BE SCRUTINIZED IN INTERESTS OF SAG ECONOMIC DEVELOPMENT PROGRAM. US REGISTERED BELIEF THAT DETERMINATION OF "FULL REASONABLE REQUIREMENTS" BETTER LEFT IN HANDS OF IMPORTER THAN GOVERNMENT AGENCY. SOUTH AFRICA RESPONDED THAT THEY DID NOT BELIEVE LICENSING SYSTEM HAD CAUSED HARDSHIP ON IMPORTERS AND WERE WILLING TO DISCUSS ANY SPECIFIC INCIDENT WHERE IMPEDIMENT TO IMPORTS HAD OCCURRED. US OBSERVED THAT WE DID NOT WISH TO CITE SPECIFIC INSTANCES AT THIS TIME, BUT THAT EXISTENCE OF THIS TYPE OF IMPORT CONTROL SCHEME, PER SE IS BARRIER TO TRADE AND ADDS UNCERTAINTY TO POTENTIAL MARKETING ACTIVITIES. SOUTH AFRICA POINTED OUT THAT "SERIOUS MINDED" IMPORTERS REALIZE IMPORT REGIME IS IN HIS BEST INTEREST SINCE IMPORTS WILL INCREASE WITH ORDERLY ECONOMIC GROWTH OF COUNTRY.

B) ENGINE LATHES: SOUTH AFRICA BELIEVES THESE TO BE COVERED IN SEPTEMBER 5 SAG DECISION TO SHIFT CENTER LATHES (BTN: 84.45.10.30) TO FREE LIST.

C) PHARMACEUTICAL PRODUCTS, PESTICIDES AND PAPER: COVERED IN LICENSED CATEGORY OF IMPORT REGIME. DECISION TO SHIFT ITEMS TO FREE LIST DEPENDS UPON ESTABLISHMENT OF ADEQUATE TARIFF PROTECTION.

D) JEWELRY, WINES AND SPIRITS: THESE COVERED IN QUOTA CATEGORY. SOUTH AFRICA EXPLAINED THAT QUOTA SYSTEM WAS SIMILAR TO A GENERAL MERCHANDISE LICENSE. MERCHANT CAN IMPORT SIMILAR ITEMS NOT OTHERWISE SPECIFICALLY COVERED IN LICENSE, QUOTA OR RESTRICTED CATEGORIES UNDER GENERAL LICENSE UP TO HIS ALLOTTED QUOTA AMOUNT. WINES AND SPIRITS ARE SUBJECT TO SPECIFIC QUOTA UNDER THIS CATEGORY BUT IMPORTER IS FREE TO PURCHASE ANY KIND OF WINE AND SPIRITS FROM ANY COUNTRY WITHIN QUOTA AMOUNT. SOUTH AFRICA SPECULATED THAT DIFFICULTIES WITH US EXPORTS IN THIS AREA PROBABLY DUE TO CONSUMER TASTES AND US MARKET ORIENTATION. US RAISED PERENNIAL PROBLEM OF RESTRICTIONS ON IMPORTS OF LIGHT RUM. SOUTH AFRICA EXPLAINED THAT RESTRICTION STEMS FROM 1913 LAW RELATING TO PRODUCT STANDARDS. RESTRICTIONS HAVE BEEN RELAXED TO PERMIT CERTAIN RUM IMPORTS AND SAG IS "WORKING ON PRO-LIMITED OFFICIAL USE

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BLEM" TO ALLOW FURTHER LIBERALIZATION.

E) AGRICULTURAL PRODUCTS: US INQUIRED AS TO RELATIONSHIP BETWEEN MARKETING BOARDS AND LICENSING SYSTEM NOTING THAT LICENSE CATEGORY ACTED AS A VARIABLE QUOTA SYSTEM, AS SOUTH AFRICA HAD EXPLAINED, "FULL REASONABLE REQUIREMENTS", AND THE AMOUNT BY WHICH DOMESTIC PRODUCTION FALLS SHORT OF DEMAND. US ALSO QUERIED DIFFERENCE OF TREATMENT OF COMMODITIES SUBJECT ONLY TO LICENSING VERSUS THOSE COVERED BY MARKETING BOARD AND SUBJECT TO LICENSING.

SOUTH AFRICA REMARKED THAT QUESTION RELATED MORE TO GATT ARTICLE XVII REGARDING STATE TRADING BUT PROMISED TO SEEK ADDITIONAL INFORMATION SO TOPIC COULD BE EXPLORED IN DEPTH AT LATER DATE. SOUTH AFRICA OBSERVED THAT GATT DOCUMENT MTN/3E/DOC/8/ADD.19 LISTING IMPORT CONTROLS ON VARIOUS COMMODITIES WAS OUTDATED AND DID NOT TAKE INTO ACCOUNT RECENT LIBERALIZATIONS. CORRECTION IS IN PROCESS AND WILL BE GIVEN TO GATT SECRETARIAT. WITH RESPECT TO SPECIFIC COMMODITIES, TALLOW AND FATS ARE IN LICENSE CATEGORY AND CIGARETTES IN QUOTA CATEGORY.

F) MIXING REGULATION-AUTOMOBILE SPARE PARTS: SOUTH AFRICA EXPRESSED SURPRISE AT THIS NOTIFICATION SINCE IT HAD BEEN THE SUBJECT OF AN EXCHANGE OF LETTERS BETWEEN SAG AND US EMBASSY PRETORIA IN 1973. ACCORDING TO SOUTH AFRICA, USG HAS NOT REFUTED 1973 SAG JUSTIFICATION OF SYSTEM AND SYSTEM HAD NOT BEEN CHANGED. SOUTH AFRICA WILL PROVIDE COPY OF CORRESPONDENCE. US STATED THAT IT MAY WISH TO DISCUSS TOPIC IN MORE DEPTH AFTER STUDYING RELEVANT DOCUMENTS.

3. SOUTH AFRICA CONCLUDED MEETING BY OFFERING TO EXPLORE MORE SPECIFIC US QUESTIONS IN DEPTH BUT REITERATING THAT IMPORT SYSTEM IS CLOSELY RELATED TO "TRICKY AND POTENTIALLY VOLATILE" DEVELOPMENT PROCESS. SOUTH AFRICA DOES NOT PLAN TO SUBMIT QR NOTIFICATION AGAINST US. LALKER

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